

**EAST UNION HOSPITAL SERVICE DISTRICT**  
*Farmerville, Louisiana*

***REPORT OF EXAMINATION***

***For the Years Ended  
March 31, 2006 and 2005***

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 11-1-2006

**PARRISH • MOODY & FIKES, p.c.**  
*Certified Public Accountants*  
*Waco, Texas*



# **EAST UNION HOSPITAL SERVICE DISTRICT**

## **FINANCIAL STATEMENTS**

**YEARS ENDED MARCH 31, 2006 AND 2005**

---

### **TABLE OF CONTENTS**

	<b><u>Page Number</u></b>
Management's Discussion and Analysis	1 - 4
Independent Auditor's Report	5
Financial Statements:	
Balance Sheets	6
Statements of Revenues, Expenses, and Changes in Net Assets	7
Statements of Cash Flows	8 - 9
Notes to Financial Statements	10 - 16
Other Reports:	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	17 - 18
Louisiana Compliance Questionnaire	19 - 26

# **EAST UNION HOSPITAL SERVICE DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEARS ENDED MARCH 31, 2006 AND 2005**

---

Our discussion and analysis of East Union Hospital Service District's (the "*District*") financial performance provides an overview of the District's financial activities for the fiscal years ending March 31, 2006 and 2005. Please read it in conjunction with the District's financial statements, which begin on page 6.

### **Financial Highlights**

- Net assets in 2006 increased by \$66,478 or 3.6% from 2005.
- Net assets in 2005 increased by \$162,098 or 9.7% from 2004.

### **Using This Annual Report**

The District's financial statements consist of three statements – a Balance Sheet; a Statement of Revenues, Expenses, and Changes in Net Assets; and a Statement of Cash Flows. These financial statements and related notes provide information about the activities of the District, including resources held by the District but restricted for specific purposes by contributors, grantors, or enabling legislation.

#### **The Balance Sheet and Statement of Revenues, Expenses, and Changes in Net Assets —**

Our analysis of the District finances begins on page 6. One of the most important questions asked about the District's finances is, "What is the District's financial position and how does it compare to prior years?" The Balance Sheet and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the District's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. One can think of the District's net assets—the difference between assets and liabilities—as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. One will need to consider other nonfinancial factors, however, such as changes in the District's tax base, as well as local economic factors to assess the overall health of the District.

#### **The Statement of Cash Flows —**

The final required statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as "Where did cash come from?" "What was cash used for?" and "What was the change in cash balance during the reporting period?"

# EAST UNION HOSPITAL SERVICE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED MARCH 31, 2006 AND 2005

### The District's Net Assets

The District's net assets are the difference between its assets and liabilities reported in the Balance Sheet on page 6. The District's net assets increased by \$66,478 or 3.6% in 2006 and increased by \$162,098 or 9.7% in 2005, as you can see from Table 1.

Table 1: Assets, Liabilities, and Net Assets

	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Assets:</b>			
Current assets	\$ 552,422	\$ 460,811	\$ 350,784
Capital assets, net	1,534,721	1,619,963	1,321,773
Other noncurrent assets	210	210	210
Total assets	<u>\$ 2,087,353</u>	<u>\$ 2,080,984</u>	<u>\$ 1,672,767</u>
<b>Liabilities:</b>			
Current liabilities, less current debt	\$ 347	\$ 306	\$ 1,945
Long-term debt outstanding	187,608	247,758	-
Total liabilities	<u>187,955</u>	<u>248,064</u>	<u>1,945</u>
<b>Net assets:</b>			
Invested in capital assets net of related debt	1,347,113	1,372,205	1,321,773
Unrestricted	552,285	460,715	349,049
Total net assets	<u>1,899,398</u>	<u>1,832,920</u>	<u>1,670,822</u>
Total liabilities and net assets	<u>\$ 2,087,353</u>	<u>\$ 2,080,984</u>	<u>\$ 1,672,767</u>

**EAST UNION HOSPITAL SERVICE DISTRICT****MANAGEMENT'S DISCUSSION AND ANALYSIS****YEARS ENDED MARCH 31, 2006 AND 2005****Operating Results and Changes in the District's Net Assets**

The District reported operating losses in 2006 of \$(300,861) and in 2005 of \$(219,135), as shown in Table 2.

Table 2: Operating Results and Changes in Net Assets

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Operating Revenues:			
Rent revenue	\$ 19,344	\$ 21,444	\$ 21,444
Operating Expenses:			
Operating expenses	117,628	53,582	160,561
Depreciation and amortization	202,577	186,997	152,752
Total operating expenses	320,205	240,579	313,313
Operating income (loss)	(300,861)	(219,135)	(291,869)
Nonoperating Revenues and Expenses			
Property tax revenue	361,004	376,817	350,870
Investment income	11,185	4,814	3,157
Interest expense	(4,850)	(398)	-
Total nonoperating revenues (expenses)	367,339	381,233	354,027
Increase (decrease) in net assets	66,478	162,098	62,158
Net assets, beginning of year	1,832,920	1,670,822	1,608,664
Net assets, end of year	\$ 1,899,398	\$ 1,832,920	\$ 1,670,822

# **EAST UNION HOSPITAL SERVICE DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEARS ENDED MARCH 31, 2006 AND 2005**

---

### **Operating Results and Changes in the District's Net Assets** *(Continued)*

#### **Operating Income (Loss) —**

The first component of the overall change in the District's net assets is its operating income (loss) - generally, the difference between rental income and the expenses incurred to maintain the facility. In each of the past two years, the District has reported an operating loss. Losses in 2006 increased by \$81,726 or 37.3% over the loss reported in 2005. Operating losses in 2005 decreased by \$72,734 or 24.9% compared to the loss reported in 2004.

The primary reasons for the changes in the operating losses in 2006 are:

- Donations to the Hospital for capital expenditures and operating expenses increased by approximately \$68,000.
- Depreciation expense is up approximately \$16,000 due to the addition of the modular building.

The primary reason for the changes in the operating losses in 2005 are:

- Donations to the Hospital for operating expenses decreased approximately \$97,000.

#### **Nonoperating Revenues and Expenses —**

Nonoperating revenues consist primarily of property taxes levied by the District, grants and contributions, and investment earnings. In 2006, property tax revenue decreased by \$15,813 or 4.2%.

### **The District's Cash Flows**

Changes in the District's cash flows are consistent with changes in operating losses and nonoperating revenues and expenses, discussed earlier.

### **Capital Asset and Debt Administration**

**Capital Assets** - At the end of 2006 and 2005, the District had approximately \$1.5 million and \$1.6 million, respectively, invested in capital assets, net of accumulated depreciation, as detailed in Note 5 to the financial statements.

**Debt** - At year-end, the District had approximately \$188,000 in debt outstanding compared to 2005 debt balances of \$248,000, as detailed in Note 6 to the financial statements.

### **Contacting the District's Financial Management**

This financial report is designed to provide our suppliers, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Juanita Sanford, at East Union Hospital Service District, 901 James St., P. O. Box 398, Farmerville, Louisiana.

**PARRISH • MOODY & FIKES, p.c.**

**CERTIFIED PUBLIC ACCOUNTANTS**

**7901 WOODWAY DRIVE, SUITE 100**

**WACO, TEXAS 76712-3866**

**(254) 776-8244**

**FAX (254) 776-8277**

**E-MAIL: pmf@pmfwaco.com**

**OFFICES IN:  
WACO & AUSTIN,  
TEXAS**

**INDEPENDENT AUDITOR'S REPORT**

---

To the Board of Commissioners  
East Union Hospital Service District  
Farmerville, Louisiana

We have audited the accompanying balance sheets of East Union Hospital Service District (the "*District*") as of March 31, 2006 and 2005, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of East Union Hospital Service District as of March 31, 2006 and 2005, and the changes in financial position and cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated June 30, 2006, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*Parrish, Moody & Fikes, p.c.*

Waco, Texas  
June 30, 2006

*THIS PAGE INTENTIONALLY LEFT BLANK*



**EAST UNION HOSPITAL SERVICE DISTRICT****BALANCE SHEETS****MARCH 31, 2006 AND 2005**

<b>Assets</b>	<b>2006</b>	<b>2005</b>
<b>Current assets</b>		
Cash and cash equivalents	\$ 252,382	\$ 219,431
Short-term investments	297,884	234,546
Other current assets	300	1,050
Property taxes receivable	<u>1,856</u>	<u>5,784</u>
Total current assets	<u>552,422</u>	<u>460,811</u>
<b>Capital assets</b>		
Land	65,554	65,554
Land improvements	32,023	32,023
Buildings	3,236,518	2,909,158
Equipment	1,451,924	1,349,588
Construction-in-progress	<u>-</u>	<u>312,360</u>
Depreciable capital assets	4,786,019	4,668,683
Accumulated depreciation	<u>(3,251,298)</u>	<u>(3,048,720)</u>
Total capital assets, net	<u>1,534,721</u>	<u>1,619,963</u>
<b>Other assets - Meter deposits</b>	<u>210</u>	<u>210</u>
	<u>\$ 2,087,353</u>	<u>\$ 2,080,984</u>

<b>Liabilities and Net Assets</b>	<b>2006</b>	<b>2005</b>
<b>Current liabilities</b>		
Current portion of long-term debt	\$ 61,328	\$ 60,150
Accounts payable	<u>347</u>	<u>306</u>
Total current liabilities	<u>61,675</u>	<u>60,456</u>
<b>Long-term debt, net of current portion</b>	<u>126,280</u>	<u>187,608</u>
Total liabilities	<u>187,955</u>	<u>248,064</u>
<b>Commitments and contingencies</b>		
<b>Net assets</b>		
Invested in capital assets net of related debt	1,347,113	1,372,205
Unrestricted	<u>552,285</u>	<u>460,715</u>
Total net assets	<u>1,899,398</u>	<u>1,832,920</u>
	<u>\$ 2,087,353</u>	<u>\$ 2,080,984</u>

The accompanying notes are an integral part of these financial statements.

**EAST UNION HOSPITAL SERVICE DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED**  
**MARCH 31, 2006 AND 2005**

	2006	2005
<b>Operating revenues</b>		
Rental revenue	\$ 19,344	\$ 21,444
<b>Expenses</b>		
Operating expenses	44,128	48,532
Donations to Union General Hospital, Inc.	73,500	5,050
Depreciation and amortization	202,577	186,997
Total expenses	<u>320,205</u>	<u>240,579</u>
<b>Operating income (loss)</b>	<u>(300,861)</u>	<u>(219,135)</u>
<b>Non-operating revenues (expenses)</b>		
Property tax revenue	361,004	376,817
Investment income	11,185	4,814
Interest expense	<u>(4,850)</u>	<u>(398)</u>
Total nonoperating revenues (expenses)	<u>367,339</u>	<u>381,233</u>
<b>Increase (decrease) in net assets</b>	66,478	162,098
<b>Net assets, beginning of year</b>	<u>1,832,920</u>	<u>1,670,822</u>
<b>Net assets, end of year</b>	<u>\$ 1,899,398</u>	<u>\$ 1,832,920</u>

The accompanying notes are an integral part of these financial statements.

# EAST UNION HOSPITAL SERVICE DISTRICT

## STATEMENTS OF CASH FLOWS

**FOR THE YEARS ENDED  
MARCH 31, 2006 AND 2005**

	2006	2005
<b>Cash flows from operating activities</b>		
Rental receipts and payments from operations, net	\$ 20,094	\$ 20,394
Cash paid for accounting, publications, utilities and fees	(44,087)	(50,171)
Cash paid to hospital for operating expenses	(73,500)	(5,050)
Net cash provided by (used in) operating activities	(97,493)	(34,827)
<b>Cash flows from investing activities</b>		
Investment earnings	11,185	4,814
Purchases of non-cash investments	(63,338)	(234,546)
Net cash provided by (used in) investing activities	(52,153)	(229,732)
<b>Cash flows from capital and related financing activities</b>		
Property taxes used for capital activities	65,000	65,000
Principal payments on long-term debt and notes payable	(60,150)	(64,602)
Interest payments on long-term debt and notes payable	(4,850)	(398)
Purchase of capital assets	(117,335)	(172,827)
Net cash provided by (used in) capital and related financing activities	(117,335)	(172,827)
<b>Cash flows from non-capital financing activities</b>		
Property taxes	299,932	314,584
Net cash provided by (used in) non-capital financing activities	299,932	314,584
Net increase (decrease) in cash and cash equivalents	32,951	(122,802)
Cash balance, beginning of year	219,431	342,233
Cash balance, end of year	\$ 252,382	\$ 219,431

The accompanying notes are an integral part of these financial statements.

**EAST UNION HOSPITAL SERVICE DISTRICT**

**STATEMENTS OF CASH FLOWS**  
**(Continued)**  
**FOR THE YEARS ENDED**  
**MARCH 31, 2006 AND 2005**

	2006	2005
<b>Reconciliation of cash and equivalents to the balance sheets</b>		
Cash and equivalents presented under the following titles:		
Cash and cash equivalents	<u>\$ 252,382</u>	<u>\$ 219,431</u>
<b>Reconciliation of net income to net cash flows from operating activities</b>		
Operating income (loss)	\$ (300,861)	\$ (219,135)
Adjustments to reconcile operating income to net cash flows used in operating activities:		
Depreciation and amortization	202,577	186,997
Changes in assets and liabilities:		
(Increase) decrease in other assets	750	(1,050)
Increase (decrease) in accounts payable and accrued expenses	<u>41</u>	<u>(1,639)</u>
Net cash provided by (used in) operating activities	<u>\$ (97,493)</u>	<u>\$ (34,827)</u>

The accompanying notes are an integral part of these financial statements.

# **EAST UNION HOSPITAL SERVICE DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
MARCH 31, 2006 AND 2005**

---

### **1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Organization**

East Union Hospital Service District (the "*District*") was created by an ordinance of the Union Parish Police Jury on June 8, 1971. The District is a political subdivision of the Union Parish Police Jury whose jurors are elected officials. The District's commissioners are appointed by the Union Parish Police Jury.

#### **Operations**

On November 22, 1983, the District leased the facility known as Union General Hospital in Farmerville, Louisiana, as well as all related moveable property, to a newly formed nonprofit corporation named "Union General Hospital, Inc." Union General Hospital, Inc. (the "*Hospital*") is a Louisiana nonprofit corporation, which has received exemption from income taxes as an organization described under section 501(c)(3) of the Internal Revenue Code.

The lease began December 1, 1983, with a "primary term" of three (3) years. Thereafter, unless the District or Hospital gives the other notice to terminate at least twelve months prior to the end of the base or any renewal term, the lease is renewed for five (5) year "renewal terms," under the same terms and conditions controlling the "primary term." The Hospital has agreed to maintain at its expense certain insurance, capital additions, and make necessary and proper repairs in exchange for rent paid to the District.

Since December 1, 1983, when the District discontinued operating the Hospital, its operations consist of administration of the leased facilities, rental of adjoining physicians' offices, collection and administration of tax receipts, and payment of debt service on the public improvement bonds. These bonds were paid in previous years.

#### **Accounting Standards**

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the District has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB).

# EAST UNION HOSPITAL SERVICE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED  
MARCH 31, 2006 AND 2005

---

### 1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Accounting Standards (Continued)

On April 1, 2003, the District adopted the provisions of Statement No. 34 (Statement 34) of the Governmental Accounting Standards Board (GASB), *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments*, as amended by GASB Statement 37, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments: Omnibus*. Statement 34 established standards for external financial reporting for all state and local governmental entities, which include a balance sheet; a statement of revenue, expenses and changes in net assets; and a direct method statement of cash flows. Statement 34 requires the classification of net assets into three components — invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

1. **Invested in Capital Assets, Net of Related Debt** — This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. **Restricted** — This component of net assets consists of net assets whose use is restricted through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments, or by laws through constitutional provisions or enabling legislation.
3. **Unrestricted** — This component of net assets consists of those assets that do not meet the definition of "restricted" or "invested in capital, net of related debt."

The District also implemented the provisions of GASB Statement 38, *Certain Financial Statement Note Disclosures*, in the accompanying financial statements. The implementation of this statement refined and extended the required disclosures in the financial statements.

The financial statements have been prepared on the accrual basis and in accordance with guidelines recommended by the Committee on Health Care Institute and Subcommittee on Health Care Matters of the American Institute of Certified Public Accountants. The accrual basis of accounting recognizes revenues when earned rather than when received. Expenses are recognized when incurred rather than when paid.

# **EAST UNION HOSPITAL SERVICE DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
MARCH 31, 2006 AND 2005**

---

### **1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Presentation**

Certain prior year amounts may have been reclassified in order to be presented comparatively with the current year classifications.

#### **Cash and Cash Equivalents**

Cash and cash equivalents consist primarily of deposits in checking accounts and certificates of deposit. For the purpose of the statement of cash flows, all cash that is not limited to use with original maturities less than 90 days, is treated as cash and cash equivalents.

#### **Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **Operating Revenues and Expenses**

The statement of revenues, expenses and changes in net assets distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with rental and maintenance of the Hospital facility, the District's principal activity. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to maintain the facility in accordance with agreements, other than financing costs.

#### **Costs of Borrowing**

Interest cost incurred on borrowed funds during the period of construction of capital assets (if any) is capitalized as a component of the cost of acquiring those assets.



# **EAST UNION HOSPITAL SERVICE DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
MARCH 31, 2006 AND 2005**

---

### **1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Capital Assets**

Capital assets consist of property and equipment and are recorded at the District's cost. Since the inception of the lease, additional items of property and equipment purchased by the District are reflected in the District's financial statements. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Estimated useful lives used in computing depreciation follow the lives recommended by the American Hospital Association, which is recognized by the Medicare and Medicaid intermediaries.

#### **Property Tax Revenues**

The District levies real estate taxes on all real property on a calendar year basis at a rate enacted by the Board of Commissioners as recommended by the local tax assessor. Property taxes are collected through the local sheriff and remitted, net of collection fees, to the District. The sheriff's office is responsible for collection, including establishing lien, levy, and due dates of the taxes.

### **2. OFF BALANCE SHEET RISKS AND CONCENTRATIONS OF CREDIT**

#### **Concentrations of Credit**

The District leases the hospital facilities in Farmerville, Louisiana. The Hospital grants credit on its services to its patients, substantially all of whom are local residents of the Parish. Generally, the Hospital accepts assignments of patients' benefits payable under either public or private insurance programs or policies in lieu of collateral to secure its patient accounts receivable. At March 31, 2006 and 2005, approximately 34% and 40%, respectively, of patient accounts receivable was related to beneficiaries of the Medicare and Medicaid programs. Future changes (if any) occurring within the local economy or the Medicare and Medicaid reimbursement methods can significantly affect the ability of the Hospital to operate the leased facilities.

# **EAST UNION HOSPITAL SERVICE DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
MARCH 31, 2006 AND 2005**

---

### **2. OFF BALANCE SHEET RISKS AND CONCENTRATIONS OF CREDIT (Continued)**

#### **Bank Accounts**

State law requires that bank accounts be collateralized by a pledge of sufficient market value of qualifying securities for amounts invested in excess of the insured amount. Insurance and collateralization at March 31, 2006 and 2005, follows:

	<u>2006</u>	<u>2005</u>
Insured (FDIC)	\$ 410,171	\$ 336,000
Collateralized by pledged securities	<u>138,679</u>	<u>117,113</u>
Total	<u>\$ 548,850</u>	<u>\$ 453,113</u>
Carrying Value	<u>\$ 550,266</u>	<u>\$ 453,977</u>

#### **Volume of Services**

The Hospital is dependent upon local physicians practicing in the immediate service area for its volume of patients. Any decrease in the number of physicians which currently serve the Hospital can significantly affect the Hospital's ability to operate the leased facilities.

### **3. PROPERTY TAXES**

In November 1998, the voters of the District approved the authorization of a ten-year, \$5 million, property tax levy on all taxable property located within the District. The tax can be used for constructing, maintaining, improving, equipping, and operating the hospital facilities.

### **4. BOARD MEMBERS**

Board members of the District and their compensation for 2006 and 2005 are as follows:

<u>Member</u>	<u>Compensation</u>
Jessie Andrews	None
Vicki Antley	None
Alice Bailey	None
Joel Taylor	None
Bruce Matte	None
Calvin Jones	None
Mary Washington	None

# EAST UNION HOSPITAL SERVICE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**FOR THE YEARS ENDED  
MARCH 31, 2006 AND 2005**

### 5. CAPITAL ASSETS

A summary of capital assets at March 31, 2006 and 2005 follows:

	Balance 03/31/05	Increases	Decreases	Transfers	Balance 03/31/06	Depreciable Lives
Capital assets not being depreciated:						
Land	\$ 65,554	\$ -	\$ -	\$ -	\$ 65,554	
Construction in progress	312,360	-	-	(312,360)	-	
Total capital assets not being depreciated	377,914	-	-	(312,360)	65,554	
Other capital assets:						
Land improvements	32,023	-	-	-	32,023	15-20 years
Buildings and improvements	2,909,158	15,000	-	312,360	3,236,518	5-50 years
Equipment	1,349,588	102,336	-	-	1,451,924	3-25 years
Total other capital assets at historical cost	4,290,769	117,336	-	312,360	4,720,465	
Less accumulated depreciation for:						
Land improvements	(12,536)	(1,808)	-	-	(14,344)	
Buildings and improvements	(2,187,824)	(122,727)	-	-	(2,310,551)	
Equipment	(848,360)	(78,043)	-	-	(926,403)	
Total accumulated depreciation	(3,048,720)	(202,578)	-	-	(3,251,298)	
Other capital assets, net	1,242,049	(85,242)	-	312,360	1,469,167	
Total capital assets, net	\$ 1,619,963	\$ (85,242)	\$ -	\$ -	\$ 1,534,721	

  

	Balance 03/31/04	Increases	Decreases	Transfers	Balance 03/31/05	Depreciable Lives
Capital assets not being depreciated:						
Land	\$ 65,554	\$ -	\$ -	\$ -	\$ 65,554	
Construction in progress	-	312,360	-	-	312,360	
Total capital assets not being depreciated	65,554	312,360	-	-	377,914	
Other capital assets:						
Land improvements	32,023	-	-	-	32,023	15-20 years
Buildings and improvements	2,909,158	-	-	-	2,909,158	5-50 years
Equipment	1,176,761	172,827	-	-	1,349,588	3-25 years
Total other capital assets at historical cost	4,117,942	172,827	-	-	4,290,769	
Less accumulated depreciation for:						
Land improvements	(10,727)	(1,809)	-	-	(12,536)	
Buildings and improvements	(2,125,473)	(62,351)	-	-	(2,187,824)	
Equipment	(725,523)	(122,837)	-	-	(848,360)	
Total accumulated depreciation	(2,861,723)	(186,997)	-	-	(3,048,720)	
Other capital assets, net	1,256,219	(14,170)	-	-	1,242,049	
Total capital assets, net	\$ 1,321,773	\$ 298,190	\$ -	\$ -	\$ 1,619,963	

# EAST UNION HOSPITAL SERVICE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**FOR THE YEARS ENDED  
MARCH 31, 2006 AND 2005**

### 6. LONG-TERM DEBT

A summary of long-term debt at March 31, 2006 and 2005 follows:

	Balance 03/31/05	Increases	Decreases	Balance 03/31/06	Amounts Due Within One Year
Note payable to Union General Hospital in annual installments of \$65,000 principal and interest, final payment due March 2009	\$ 247,758	\$ -	\$ (60,150)	\$ 187,608	\$ 61,328

  

	Balance 03/31/04	Increases	Decreases	Balance 03/31/05	Amounts Due Within One Year
Note payable to Union General Hospital in annual installments of \$65,000 principal and interest, final payment due March 2009	\$ -	\$ 312,360	\$ (64,602)	\$ 247,758	\$ 60,150

A summary of long-term debt at March 31, 2006 follows:

Year(s) Ending March 31,	Long Term Debt	Interest	Total
2007	\$ 61,328	\$ 3,672	\$ 65,000
2008	62,528	2,472	65,000
2009	63,752	1,248	65,000
	<u>\$ 187,608</u>	<u>\$ 7,392</u>	<u>\$ 195,000</u>

### 7. COMMITMENTS AND CONTINGENCIES

On March 7, 2005, the District agreed to designate a minimum of \$65,000 per year from tax revenues to be paid annually to Union General Hospital, Inc. for five years. The hospital is to use these funds in making payments on a bank loan for the purchase of a modular building. The purchase price of the building was \$312,360 and was included in construction in progress at March 31, 2005.

**PARRISH • MOODY & FIKES, p.c.**

**CERTIFIED PUBLIC ACCOUNTANTS**

7901 WOODWAY DRIVE, SUITE 100  
WACO, TEXAS 76712-3866

(254) 776-8244  
FAX (254) 776-8277  
E-MAIL: pmf@pmfwaco.com

OFFICES IN:  
WACO & AUSTIN,  
TEXAS

**REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

---

To the Board of Commissioners  
East Union Hospital Service District  
Farmerville, Louisiana

We have audited the financial statements of East Union Hospital Service District, as of and for the years ended March 31, 2006 and 2005, and have issued our report thereon dated June 30, 2006. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audits, we considered East Union Hospital Service District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether East Union Hospital Service District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, Board of Commissioners, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Permit, Moody & Fikes, p.c*

Waco, Texas  
June 30, 2006

**EAST UNION HOSPITAL SERVICE DISTRICT  
P. O. BOX 398  
FARMERVILLE, LA 71241**

Resolution to approve the Louisiana Compliance Questionnaire supplied by the Office of the Legislative Auditor, State of Louisiana.

By: Vickie Antley

Resolved that the East Union Hospital Service District does hereby agree to approve the Louisiana Compliance Questionnaire supplied by the Office of the Legislative Auditor, State of Louisiana.

Seconded By: Gene Andrews

Vote: Ayes (5)

Nays (0)

Absent: 2

Adopted and approved on this, the 14<sup>th</sup> day of March, 2006.

Vickie Antley  
Vickie Antley, Secretary  
Board of Commissioners  
East Union Hospital Service District

Alice Bailey  
Alice Bailey, Chairman  
Board of Commissioners  
East Union Hospital Service District

MAR 24 2006

**LOUISIANA COMPLIANCE QUESTIONNAIRE**  
**(For Audit Engagements of Government Entities)**

MARCH 11, 2006 (Date Transmitted)

PARRISH MOODY & FIKES, P.C.

7901 WOODWAY DRIVE, SUITE 100

WACO, TX 76712

(Auditors)

In connection with your audit of our financial statements as of MARCH 31, 2006 and for MARCH 31, 2005 (period of audit) for the purpose of expressing an opinion as to the fair presentation of our financial statements in accordance with accounting principles generally accepted in the United States of America, to assess our system of internal control as a part of your audit, and to review our compliance with applicable laws and regulations, we confirm, to the best of our knowledge and belief, the following representations. These representations are based on the information available to us as of APRIL 30, 2006 (date completed/date of the representations).

**PART I. AGENCY PROFILE**

1. Name and address of the organization.

EAST UNION HOSPITAL SERVICE DISTRICT

P. O. BOX 398

FARMERVILLE, LA 71241

2. List the population of the municipality or parish based upon the last official United States Census or most recent official census (municipalities and police juries only). Include the source of the information.

22,894 SOURCE: UNION PARISH LIBRARY

3. List names, addresses, and telephone numbers of entity officials. [Include elected/appointed members of the governing board, chief executive and fiscal officer, and legal counsel.

SEE ATTACHED:

4. Period of time covered by this questionnaire:

APRIL 01, 2004 THRU MARCH 31, 2006

5. The entity has been organized under the following provisions of the Louisiana Revised Statute (s) (LSA-RS) and, if applicable, local resolutions/ordinances.

CREATED BY AN ORDINANCE OF THE UNION PARISH POLICE JURY ON 06/08/71.

6. Briefly describe the public services provided:

PROVIDE FACILITIES AND SUPPORT.

7. Expiration date of current elected/appointed officials' terms.

SEE ATTACHED:

MAR 24 2006



## LEGAL COMPLIANCE

### **PART II. PUBLIC BID LAW**

8. The provisions of the public bid law, LSA-RS Title 38:2212, and, where applicable, the regulations of the Division of Administration, State Purchasing Office have been complied with.

A) All public works purchases exceeding \$100,000 have been publicly bid.

B) All material and supply purchases exceeding \$20,000 have been publicly bid.

Yes [☒] No [ ]

### **PART III. CODE OF ETHICS LAW FOR PUBLIC OFFICIALS AND PUBLIC EMPLOYEES**

9. It is true that no employees or officials have accepted anything of value, whether in the form of a service, loan, or promise, from anyone that would constitute a violation of LSA-RS 42:1101-1124.

Yes [☒] No [ ]

10. It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980, under circumstances that would constitute a violation of LSA-RS 42:1119.

Yes [☒] No [ ]

### **PART IV. LAWS AFFECTING BUDGETING**

11. We have complied with the budgeting requirements of the Local Government Budget Act (LSA-RS 39:1301-15) or the budget requirements of LSA-RS 39:33.

#### A. Local Budget Act

1. We have adopted a budget for the General Fund and all special revenue funds (LSA-RS 39:1305).

2. The chief executive officer, or equivalent, has prepared a proposed budget that included a budget message, a proposed budget for the General Fund and each special revenue fund, and a budget adoption instrument that specified the chief executive's authority to make budgetary amendments without approval of the governing authority. Furthermore, the proposed expenditures did not exceed estimated funds to be available during the period (LSA-RS 39:1305).

3. The proposed budget was submitted to the governing authority and made available for public inspection at least 15 days prior to the beginning of the budget year (LSA-RS 39:1306).

4. To the extent that proposed expenditures were greater than \$500,000, we have made the budget available for public inspection and have advertised its availability in our official journal. The advertisement included the date, time, and place of the public hearing on the budget. Notice has also been published certifying that all actions required by the Local Government Budget Act have been completed (LSA-RS 39:1307).

5. The proposed budget was made available for public inspection at the location required by LSA-RS 39:1308.

6. All action necessary to adopt and finalize the budget was completed prior to the date required by state law. The adopted budget contained the same information as that required for the proposed budget [LSA-RS 39:1306.

7. After adoption, a certified copy of the budget has been retained by the chief executive officer or equivalent officer (LSA-RS 39:1309).

8. To the extent that proposed expenditures were greater than \$500,000, the chief executive officer or equivalent notified in writing the governing authority during the year when actual receipts plus projected revenue collections for the year failed to meet budgeted revenues by five percent or more, or when actual expenditures plus projected expenditures to year end exceeded budgeted expenditures by five percent or more (LSA-RS 39:1311). (Note, state law exempts from the amendment requirements special revenue funds with anticipated expenditures of \$250,000 or less, and exempts special revenue funds whose expenditures drive revenue recognition-primarily federal funds-from the requirement to amend revenues.)

9. The governing authority has amended its budget when notified, as provided by LSA-RS 39:1311.

Yes [☒] No [ ]

#### B. State Budget Requirements

1. The state agency has complied with the budgetary requirements of LSA-RS 39:33.

Yes [☒] No [ ]

#### C. Licensing Boards

1. The licensing board has complied with the budgetary requirements of R. S. 39:1331-1342.

Yes [ ] No [ ] N/A

**PART V. ACCOUNTING, AUDITING, AND FINANCIAL  
REPORTING LAWS**

12. We have maintained our accounting records in such a manner as to provide evidence of legal compliance and the preparation of annual financial statements to comply with LSA-RS 24:514, 24:515, and/or 33:463.

Yes ☒ No ☐

13. All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by LSA-RS 44:1, 44:7, 44:31, and 44:36.

Yes ☒ No ☐

14. We have filed our annual financial statements in accordance with LSA-RS 24:514, and 33:463 where applicable.

Yes ☒ No ☐

15. We have had our financial statements audited in a timely manner in accordance with LSA-RS 24:513.

Yes ☒ No ☐

**PART VI. ASSET MANAGEMENT LAWS**

16. We have maintained records of our fixed assets and movable property records, as required by LSA-RS 24:515 and/or 39:321-332, as applicable.

Yes ☒ No ☐

**PART VII. FISCAL AGENCY AND CASH MANAGEMENT LAWS**

17. We have complied with the fiscal agency and cash management requirements of LSA-RS 39:1211-45 and 49:301-327, as applicable.

Yes ☒ No ☐

**PART VIII. DEBT RESTRICTION LAWS**

18. It is true we have not incurred any long-term indebtedness without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and LSA-RS 39:1410.60-1410.65.

Yes ☐ No ☐ N/A

19. We have complied with the debt limitation requirements of state law (LSA-RS 39:562).

Yes ☐ No ☐ N/A

20. We have complied with the reporting requirements relating to the Fiscal Review Committee of the State Bond Commission (LSA-RS 39:1351).

Yes ☐ No ☐ N/A

**PART IX. REVENUE AND EXPENDITURE RESTRICTION LAWS**

21. We have restricted the collections and expenditures of revenues to those amounts authorized by Louisiana statutes, tax propositions, and budget ordinances.

Yes ☒ No ☐

22. It is true we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, LSA-RS 14:138, and AG opinion 79-729.

Yes ☒ No ☐

23. It is true that no property or things of value have been loaned, pledged, or granted to anyone in violation of Article VII, Section 14 of the 1974 Louisiana Constitution.

Yes ☒ No ☐

**PART X. QUESTIONS FOR SPECIFIC GOVERNMENTAL UNITS**

Police Juries

24. We have adopted a system of road administration that provides as follows:

- A. Approval of the governing authority of all expenditures, LSA-RS 48:755(A).
- B. Development of a capital improvement program on a selective basis, LSA-RS 48:755.
- C. Centralized purchasing of equipment and supplies, LSA-RS 48:755.
- D. Centralized accounting, LSA-RS 48:755.
- E. A construction program based on engineering plans and inspections, LSA-RS 48:755.
- F. Selective maintenance program, LSA-RS 48:755.
- G. Annual certification of compliance to the legislative auditor, LSA-RS 48:758.

Yes ☒ No ☐ N/A

#### School Boards

25. We have complied with the general statutory, constitutional, and regulatory provisions of the Louisiana Department of Education, LSA-RS 17:51-401.

Yes ☐ No ☐ N/A

26. We have complied with the regulatory circulars issued by the Louisiana Department of Education that govern the Minimum Foundation Program.

Yes ☐ No ☐ N/A

27. We have, to the best of our knowledge, accurately compiled the performance measurement data contained in the following schedules and recognize that your agreed upon procedures will be applied to such schedules and performance measurement data:

Parish school boards are required to report as part of their annual financial statements measures of performance.

These performance indicators are found in the supplemental schedules:

- Schedule 1, General Fund Instructional and Support Expenditures and Certain Local Revenues Sources
- Schedule 2, Education Levels of Public School Staff
- Schedule 3, Number and Type of Public Schools
- Schedule 4, Experience of Public Teachers and Full-time Classroom Teachers
- Schedule 5, Public School Staff Data
- Schedule 6, Class Size Characteristics
- Schedule 7, Louisiana Educational Assessment Program
- Schedule 8, The Graduate Exit Exam
- Schedule 9, The IOWA Tests

Yes ☐ No ☐ N/A

#### Tax Collectors

28. We have complied with the general statutory requirements of LSA-RS 47, Chapter 4.

Yes ☐ No ☐ N/A

#### Sheriffs

29. We have complied with the state supplemental pay regulations of LSA-RS 33:2218.8.

Yes ☐ No ☐ N/A

30. We have complied with LSA-RS 33:1432 relating to the feeding and keeping of prisoners.

Yes ☐ No ☐ N/A

#### District Attorneys

31. We have complied with the regulations of the Louisiana Department of Social Services that relate to the Title IV-D Program.

Yes ☐ No ☐ N/A

#### Assessors

32. We have complied with the regulatory requirements found in Title 47 of the Louisiana Revised Statutes.

Yes ☐ No ☐ N/A

33. We have complied with the regulations of the Louisiana Tax Commission relating to the reassessment of property.

Yes ☐ No ☐ N/A

#### Clerks of Court

34. We have complied with LSA-RS 13:751-960.

Yes ☐ No ☐ N/A

#### Libraries

35. We have complied with the regulations of the Louisiana State Library.

Yes [ ] No [ ] N/A

#### Municipalities

36. Minutes are taken at all meetings of the governing authority. LSA-RS 42:7.1 (Act 665 of 1976).

Yes [ ] No [ ] N/A

37. Minutes, ordinances, resolutions, budgets, and other official proceedings of the municipalities are published in the official journal. LSA-RS 43:143-144 and A.G. 86-528.

Yes [ ] No [ ] N/A

38. All official action taken by the municipality is conducted at public meetings. LSA-RS 42:4.1-13.

Yes [ ] No [ ] N/A

#### Airports

39. We have submitted our applications for funding airport construction or development to the Department of Transportation and Development as required by LSA-RS 2:802.

Yes [ ] No [ ] N/A

40. We have adopted a system of administration that provides for approval by the department for any expenditures of funds appropriated from the Transportation Trust Fund, and no funds have been expended without department approval (LSA-RS 2:810).

Yes [ ] No [ ] N/A

41. All project funds have been expended on the project and for no other purpose (LSA-RS 2:810).

Yes [ ] No [ ] N/A

42. We have certified to the legislative auditor, on an annual basis, that we have expended project funds in accordance with the standards established by law (LSA-RS 2:811).

Yes [ ] No [ ] N/A

#### Ports

43. We have submitted our applications for funding port construction or development to the Department of Transportation and Development as required by LSA-RS 34:3432.

Yes [ ] No [ ] N/A

44. We have adopted a system of administration that provides for approval by the department for any expenditures of funds made out of state and local matching funds, and no funds have been expended without department approval (LSA-RS 34:3460).

Yes [ ] No [ ] N/A

45. All project funds have been expended on the project and for no other purpose (LSA-RS 34:3460).

Yes [ ] No [ ] N/A

46. We have established a system of administration that provides for the development of a capital improvement program on a selective basis, centralized purchasing of equipment and supplies, centralized accounting, and the selective maintenance and construction of port facilities based upon engineering plans and inspections (LSA-RS 34:3460).

Yes [ ] No [ ] N/A

47. We have certified to the legislative auditor, on an annual basis, that we have expended project funds in accordance with the standards established by law (LSA-RS 34:3461).

Yes [ ] No [ ] N/A

#### Sewerage Districts

48. We have complied with the statutory requirements of LSA-RS 33:3881-4160.

Yes [ ] No [ ] N/A

#### Waterworks Districts

49. We have complied with the statutory requirements of LSA-RS 33:3811-3837.

Yes [ ] No [ ] N/A

#### Utility Districts

50. We have complied with the statutory requirements of LSA-RS 33:4161-4548.

Yes [ ] No [ ] N/A

Drainage and Irrigation Districts

51. We have complied with the statutory requirements of LSA-RS 38:1601-1707 (Drainage Districts); LSA-RS 38:1751-1921 (Gravity Drainage Districts); LSA-RS 38:1991-2048 (Levee and Drainage Districts); or LSA-RS 38:2101-2123 (Irrigation Districts), as appropriate.

Yes [ ] No [ ] N/A

Fire Protection Districts

52. We have complied with the statutory requirements of LSA-RS 40:1491-1509.

Yes [ ] No [ ] N/A

Other Special Districts

53. We have complied with those specific statutory requirements of state law applicable to our district.

Yes [x] No [ ]

The previous responses have been made to the best of our belief and knowledge.

<u>Nickie Antley</u>	Secretary	<u>3-15-06</u>	Date
	Treasurer		Date
<u>Alice Barker</u>	President	<u>3-15-06</u>	Date

# **EAST UNION HOSPITAL SERVICE DISTRICT**

## **BOARD MEMBERS**

<b>NAME</b>	<b>EXP. DATE</b>
JESSE B. ANDREWS 492 BIRD ROAD MARION, LA 71260 292-5173	09/09
VICKIE ANTLEY 238 VIC ALLEN ROAD DOWNSVILLE, LA 71234 982-5632	09/10
ALICE BAILEY 220 CROSSROADS LOOP FARMERVILLE, LA 71241 726-4138	09/09
CALVIN B. JONES 180 BAY DRIVE FARMERVILLE, LA 71241 368-2262	09/10
BRUCE M. MATTE, SR. P. O. BOX 17 MARION, LA 71260	09/11
MARY JOHNSON WASHINGTON 205 FRANCIS STREET FARMERVILLE, LA 71241 368-0732	09/07
JOEL TAYLOR 610 EAST BOUNDARY STREET FARMERVILLE, LA 71241 368-9982	09/07

## **LEGAL COUNSEL**

BOB LEVY  
DISTRICT ATTORNEY  
100 E. BAYOU  
FARMERVILLE, LA 71241  
368-2201

ANDY SHEALY  
ASSISTANT DISTRICT ATTORNEY